essentially because there would be no income-based tax if there is no return component. This is a logical corollary to removing the return component. Inclusion of Account 7240 (on the ARMIS 43-02 Report) would permit recovery of taxes other than income taxes. The only carrying charges that still would apply to the fully depreciated poles would be the administrative and maintenance components, and a negative return element. Attached as Exhibit 11 to the Comments is a spreadsheet demonstrating application of the adjusted formula.

13. Where this situation arises, rate base calculations should be performed on a net rather than a gross basis. Calculating rate base items on a net basis is preferred because it reflects prior recovery of investment through depreciation, and prevents overrecovery of actual amounts invested. Moreover, calculating on an "all gross" basis is a misnomer, in that the net rate base must be calculated even in an all-gross computation because the rate of return is calculated for application to net rate base, and must be grossed down by the ratio of net to gross rate base for application to net.

14. For example, suppose a utility is authorized an 11.25% return on a gross rate base of $200, and that the rate base is 50% depreciated. In an "all net" calculation, the authorized return percentage would be 11.25% and the return component would be 11.25% * ($200-$100) = $11.25. In an all gross calculation, the authorized return would be 11.25% * ($100/$200)= 5.625%, and the authorized return component would be 5.625% * $200 = $11.25.

15. Administrative expediency favors performing the entire calculation on a net basis in the first instance, and there are no regulatory or administrative efficiencies to be gained by moving to all-gross calculations.

II. Utility Proposal To Include Additional Expense Accounts In The Maintenance and Administrative Carrying Charges

16. Pole owners advocate the addition of a large number of expense accounts into the administrative and maintenance components of the carrying charge. Many of the accounts that the utilities propose be added into the carrying charges have no nexus to pole attachments. In addition, I believe that utilities already are adequately compensated for appropriate administrative and maintenance costs, and that the inclusion of additional expense accounts will not accomplish greater accounting or economic precision as the utilities claim.

17. The utilities argue for one-to-one mapping from Part 31 to Part 32 accounting. One-to-one account mapping from Part 31 to Part 32 I believe is extremely difficult, if not impossible to achieve. For years, however, cable operators and pole owners alike have made a relatively smooth transition in adopting new Part 32 accounts to the pole formula.[2] Generally, the industries have concluded that Account 6411, less rents, be incorporated into the maintenance carrying charge. The rent component then would be added to the administrative charge which also would consist of Accounts 6720 (General and Administrative) and Account 6710 (Executive and Planning). Approaching the calculation of the carrying charges as the pole owners and cable operators have since Part 32 conversion, without attempting one-to-one mapping has served a number of important principles.

18. First, it has largely avoided imposing on attaching parties a double charge for electric utility pole rents (but not completely eliminated it because it still allows for the flow-through of some portion of rents to the administrative charge). I believe that the most

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[2] Letter from Kenneth Moran to Paul Glist, 5 F.C.C.R. 3893 (1990).

economically correct approach would be to completely eliminate rents from *any* component of the carrying charge factor. The rents component of Account 6411 consists of rents paid by the telephone company to electric utilities for the telephone company's use of electric poles. Because cable operators pay to telephone companies rental fees for attachment to its poles, and independently pay to the electric company rental fees for attachment to power poles, inclusion of the rents component in the 6411 maintenance account would result in the attaching party's subsidizing the telephone company's pole rentals, and paying the electric company rental fees twice.

19. Second, this approach has allowed pole owners and attaching parties to continue to rely on publicly filed information. When conversion to Part 32 occurred, certain elements that previously were publicly reported under Part 31 were transferred into non-public internal telephone company subaccounts. Moreover, what may have been excluded from the formula as a result of conversion to Part 32 has been offset by what has been newly added as a result of the conversion.

20. There are a number of other potential sources of overrecovery as a result of USOA conversion as well. For example, because the current formula allocates administrative costs across the pole investment only on the basis of the dollar value of that investment, without consideration of the "nature" of those assets and the amount of administrative oversight they are likely to necessitate, the formula essentially allows the telephone company to recover for poles proportionally as much research and development expense as it incurs for highly complex technological and business planning. The notion that pole plant requires the same proportional amount of administrative oversight as a switch does not reflect the economics (or true cost) of

pole-plant administration.

A. Administrative Expenses

1. Part 32 Accounts 6720 and 6710 Are Overly Generous to the Utilities in Tracking the Categories Of Expenses Previously Recovered Under Part 31

21. Since the conversion from Part 31 accounting to Part 32 accounting, pole owners and attaching parties generally have included Accounts 6720 (General and Administrative) and 6710 (Executive and Planning). These accounts cover a broad spectrum of administrative costs in the administrative component. Account 6720 itself is comprised of the accounts for accounting and finance,[3] external relations,[4] human resources,[5] information management,[6] legal,[7] procurement,[8] research and development,[9] and the catchall "other general and administrative".[10] Even without the "other general and administrative" account (Account 6728), Account 6720 contains a comprehensive set of administrative expenses and functions with any conceivable nexus to administration of the pole resource. Equally important, the Part 32 6710 and 6720 account groupings are the precise analogs to Part 31 account groupings of non-plant specific administrative overhead appearing at lines 56 and 67 of the Part 31 Form M. In other words,

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[3] 47 C.F.R. § 32.6721.

[4] 47 C.F.R. § 32.6722.

[5] 47 C.F.R. § 32.6723.

[6] 47 C.F.R. § 32.6724.

[7] 47 C.F.R. § 32.6725.

[8] 47 C.F.R. § 32.6726.

[9] 47 C.F.R. § 32.6727.

[10] 47 C.F.R. § 32.6728.

6710 and 6720 are to Part 32 what lines 56 and 67 are to Schedule 35 of the Part 31 Form M (p. 57).[11]

22. The Part 32 expense accounts that the telephone companies now propose adding into the formula (*i.e.*, Accounts 6110, 6120, 6534 and 6535) are not related to corporate overhead and should be excluded from the current formula for the same reasons that the categories of administrative, advertising and marketing expenses were excluded under Part 31. Indeed, the human resources, information management, procurement and research and development items for which attaching parties are now responsible since the changeover to Part 32 find no analogs in Part 31.

23. Present accounting in the current formula may already be overly generous to the utilities. For example, Account 6710 includes costs for formulation of corporate policy and long-term economic and strategic planning. The Part 31 account included in the pole formula prior to Part 32 conversion conceptually closest to 6710, is Account 661 (Executive department). There was no separate provision for "the costs incurred in developing and evaluating long-term course of action for the future operations of the company . . .[including] corporate organization and integrated long-range planning, including management studies, options and contingency plans, and economic strategic analysis"[12] under Part 31 as there is now under Part 32. Pole rents should not include payment for an ILECs' strategic planning, and cable and others should not be responsible for significant additional expenses under Part 32 than for which they were not responsible under Part 31.

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[11] *See, e.g.*, Ex. 12 (Sample Form M of C&P Tel. of Maryland for year end 1986).

[12] 47 C.F.R. § 32.6712.

2. Additions To The Proposed Additional Accounts Will Double Charge For Expenses Already Covered in Makeready

24. The Commission is considering the inclusion of four additional accounts that have little or no relation to administration of the pole resource which, if included, would drive pole attachment costs to higher levels. Attached as Exhibit 13 to the Comments is a spreadsheet calculation (using data contained in Bell Atlantic Maryland's 1996 ARMIS Report) demonstrating that the proposed account additions to the maintenance component of the carrying charge will *double* the administrative expenses and the administrative carrying charge. The items booked to these (and other) accounts are covered by the up-front makeready expenses that a cable operator must pay prior to attachment, including mandatory markups and overhead.

25. As John Pietri explains in his Declaration,[13] in order to attach its facilities to a pole, a cable operator may need to adjust various communications and electrical facilities attached to the pole prior to making the new attachment. If rearrangement of existing facilities alone cannot accommodate the new attachment, then the cable operator must pay for the pole to be replaced. In most cases, the utility pole owner performs this rearrangement and pole replacement work. Prior to doing so, however, the cable operator must pay the utility *in advance* for such work, the charges for which the utility sets unilaterally and which often include an "overhead" element or across-the-board markup of 10% of the charges.[14] Including the proposed accounts will double charge cable operators.

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[13] Pietri Decl. ¶¶ 4-6.

[14] *Id.*

3. Addition Of The Proposed Additional Accounts Is Inconsistent With Appropriate Pricing Principles

26. The Commission must carefully consider any adjustments to the current formula, which already calculates rates at the top end of the statutory range—at fully allocated cost—when all other (non-pole) elements of interconnection are moving closer to incremental cost. Rational ratemaking does not require the inclusion of every conceivable account and cost item which ILEC accountants can theoretically attribute to pole attachments.[15] Under Section 224, and in ratemaking generally, rates need only be within the compensatory range between incremental and fully allocated costs. By contrast, as reflected in the Telecommunications Act of 1996 and the Commission's *Interconnection Order,* it is generally believed that unbundled telecommunication network elements and traffic termination services should be priced on an incremental cost basis.[16] In adopting the incremental cost approach for unbundled network elements and transport services, the Commission specifically rejected ILEC arguments that such elements and services be set on a fully allocated basis.[17]

27. It makes good sense from an economics and public policy standpoint to set rates for unbundled network elements and traffic termination on an incremental cost basis. Incremental costs provide a fair and efficient standard for the pricing of essential facilities. An incremental cost standard is consistent with the outcome of a competitive market, in which no

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[15] *Compare Duquesne Light Co. v. Barasch*, 488 U.S. 299 (1989); *Permian Basin Rate Cases*, 390 U.S. 747 (1968); *FPC v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

[16] *Local Competition Provisions In The Telecommunications Act of 1996; Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers*, CC Docket Nos. 96-98, 95-185, ¶¶ 618-815 (Aug. 8, 1996).

[17] *See, e.g., Id.*, ¶¶ 638-639, 672.

firm is able to set prices far in excess of incremental costs. Thus, in the absence of competition, regulatory adoption of an incremental cost standard will check anti-competitive conduct on the part of the utility.

28. Poles, ducts, and conduits are fully analogous to other bottleneck interconnection facilities controlled by ILECs. Reasonable, efficient, incremental-cost based rates for these vital elements is as critical to the establishment of a fair playing field and the successful development of effective competition in local telecommunications markets. Thus, there is no reason that pole rents should be priced even farther away from incremental costs by including the additional accounts proposed by the ILECs.

29. In numerous cases concerning the pricing of wholesale communications services, this Commission (and other regulators) have found that it is appropriate to allocate only a *portion* of accounts or account groupings to the pricing of such elements.

30. For example, the costs in Accounts 6710 and 6720 that are included in the pole attachment formula as part of the administrative carrying charge factor have been identified by the FCC as "retail" related costs in the context of the Telecommunications Act of 1996 and the Commission's *Interconnection Order* in CC Docket No. 96-98.[18] As "retail" related costs, the FCC has determined that a significant portion of the costs in these accounts relates to the incumbent LEC's provision of end-user services and should not be included in the calculation of the forward-looking economic cost of the underlying network element.[19] In this sense, the costs in Accounts 6710 and 6720 that are included in the pole attachment formula are similar to the

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[18] *First Report and Order*, Docket 96-98, August 8, 1996, ¶¶ 917-918, *see also* Appendix B - Final Rules, § 51.609, B-37-B-38.

[19] *Id.*, ¶ 698, *see also* Appendix B - Final Rules, § 51.505, B-30.

marketing and customer service expenses in Accounts 6610 and 6620, respectively, that have been historically (and appropriately) *excluded* from the pole attachment formula.

31. That the excluded expenses in Accounts 6610 and 6620 are classified by the Commission as "direct" retail expenses categories, while the included expenses in Accounts 6710 and 6720 are in the form of "indirect" retail expenses[20] does not affect the underlying principle of cost attribution to the retail versus wholesale side of the business - only the degree of attribution.

32. From a cost causation perspective, the costs associated with the utility's servicing of, and long range strategic planning for, its own end user retail service operations are not causally related to the provision of underlying utility plant, such as poles. As recognized in economic theory, assigning costs to particular functions or activities on the basis of cost causation is the most basic tool available for the economic evaluation of costs. In accordance with the economic principle of cost causation, a firm would assign a cost to a particular cost object (*e.g.*, a service, network function, labor activity, or type of plant), if, in the long run, demand for that cost object causes the firm the incur the cost, and the firm would avoid the cost (*i.e.*, not incur it) if the firm eliminated the cost object (*e.g.*, the firm no longer offered the service or performed the function). Thus, adherence to the principle of cost causation would compel the exclusion from the costs of poles to be assigned to cable operators and CLECs of at least some portion of the expenses booked to the 6710 and 6720 accounts.[21]

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[20] *Id.* Appendix B - Final Rules, § 51.609.

[21] Account 6710 is composed of Account 6711 (Executive) and Account 6712 (Planning), encompassing activities related to the formulation of corporate policy and long range planning. Account 6711 also includes costs associated with the provision of "overall administration and management" of the company - costs that could arguably be attributed to poles under a fully allocated cost standard. However, as mentioned previously, Account 6712 relates

33. Cable operators traditionally have accepted the substantial costs contained in the 6700 series of accounts which would necessarily have to be eliminated in order to achieve theoretical perfection were deemed paramount to the efficiency of the current regime; the inclusion of Accounts 6720 and 6710 alone is more than compensatory. The sample calculation using the 1996 ARMIS data of Bell Atlantic of Maryland shows that the addition of the proposed administrative accounts would increase the annual rate by nearly 10%.[22]

4. Account 6535 Engineering Expense

34. The Commission proposes to incorporate Account 6535, Engineering Expense into the administrative component. While (as I explain below) none of the other three accounts that the Commission has proposed should be incorporated in the administrative carrying charge, inclusion of the ILECs' engineering expenses is particularly inappropriate. Any engineering, whatsoever, associated with third-party attachments, like those of cable operators, are paid by that party. Pietri Deal. ¶ 4. Often, the party seeking attachment must pay twice for the same engineering.

35. Pole attachment procedures that have developed between utility pole owners and cable operators over the years require that cable operators submit applications to the utilities prior to attaching any facilities to the poles. The application forms that cable operators are

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to costs "incurred in developing and evaluating long term courses of action for the future operations" including the costs of "management studies, options, and contingency plans, and economic strategic analysis." In addition to questions of fairness concerning the payment of such ILEC costs by ILEC competitors, *see* ¶ 23, *supra*, it is quite a stretch to envision a causal relationship between these latter types of costs and the provision of underlying utility plant, such as poles. Similarly, Account 6720 consists of a myriad of functions, including accounting and finance, external relations, and research and development, that are unlikely to bear a connection to the provision of poles.

[22] *See* Comments Ex. 13. In addition to the contemplated addition of accounts, the Commission proposes excluding certain accounts from the administrative charge. *See* Notice ¶¶ 32-33. I fully concur with the Commission's proposals in this regard and note that these accounts generally have been excluded in the ratesetting process.

required to submit require the cable operator to provide drawings and other information concerning the facilities its proposes to attach to the poles and any makeready work that must be performed prior to attachment. To do this, the cable operator itself, or by retaining the services of engineering subcontractor, must conduct pre-attachment, pre-application, engineering.

36. After the application is submitted, the utility pole owner conducts its own engineering review to confirm the accuracy of the applications and makeready projections made by the cable operator in its application. Cable operators are separately charged for the independent engineering and makeready work that the pole owner performs. When separate engineering work is required for subsequent attachments, or modifications of existing attachments, the Communications Act and the Commission's rules require that the expenses associated with such work be borne by the party requiring it.

37. Thus, whenever any engineering work associated with pole attachments must be performed, that work is billed on an incremental, per-event basis.[23] Paying engineering costs on a per-transaction basis as they arise is a far more reliable and economic means of compensation to the utility for any costs incurred in connection with third-party attachments. Under current practice, however, cable operators pay engineering expenses for each new attachment or modification project ***at least*** twice: once in order to prepare their application, and, again for the utility pole-owner's required pre-attachment inspection. Utilities often attempt to collect an additional engineering charge for post-attachment inspection.

38. Inclusion of Account 6535 in the administrative charge would unreasonably impose a third (or fourth) layer of engineering expenses into the annual rental rate, and for all

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[23] Pietri Decl. ¶¶ 4-6.

these reasons should be excluded.

5. Account 6110 Network Support Expenses

39. Account 6110, Network Support Expenses, aggregates a number of different accounts that, assuming their theoretical applicability to third party pole attachments, relate to items for which cable operators and other attaching parties already are entirely responsible (and the telephone utilities entirely compensated) by advance makeready payments. While I do not dispute that telephone utilities sometimes use their vehicles to inspect (at the time of attachment) cable operator facilities,[24] the makeready and engineering payments utilities require of attaching parties already cover any vehicle, or vehicle-related costs contained in the 6110 package of accounts.[25] In addition, I am unaware of any comparable account under Part 31 included in the pole formula in which included the extensive vehicle (including aircraft) and vehicle-related charges.

6. Account 6120 General Support Expenses

40. The Commission seeks comment on the inclusion of Account 6120, General Support Expenses. Account 6120, like 6110 addressed immediately above, aggregates a number

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[24] Just as telephone company rideouts or inspections at initial attachment are paid for entirely by cable, so too are subsequent inspections and surveys of cable plant, which provide the telephone company with additional sources of recovery for 6110-type expenses.

[25] One 6110 group account that has no relevance whatsoever to third-party attachment is Account 6113, "Aircraft expense." The description states:

> (a) This account shall include such costs as aircraft fuel, flight crews, mechanics and ground crews, licenses and inspection fees, washing, repainting and minor accessories.

47 C.F.R. § 32.6113(a). In addition to the fact that cable operators as part of their makeready and engineering expense pay all motor vehicle expenses necessitated by their attachments to the poles, I am unaware of any pole attachment made by a cable operator which has necessitated the use of telephone company aircraft.

of accounts that are fully covered by Account 6720 (General and Administrative), or that cover items that the cable operator pays for entirely in up-front makeready payments.

41. For example, one of the accounts, 6121 in addition to containing the costs for janitorial service, and cleaning supplies, while another (6122) includes the costs associated with furniture and artworks. I am unaware of old Part 31 accounts for which cable operators were responsible under the pole formula for such items as janitorial supplies and service, furniture, and artwork.

7. Account 6534 Plant Operations Administration Expense

42. Next, the Commission considers the inclusion of Account 6534, Plant Operations Administrative Expense. Once again, this account contains items that the ILEC recovers through up-front makeready, or, are duplicated in the 6720 accounts. They should be excluded for these reasons. Apart from these reasons, I am unaware of old Part 31 accounts for which cable operators were responsible under the pole formula for such items as "planning, coordinating and monitoring plant operations; and performing staff work such as developing methods and procedures, preparing and conducting training . . . and coordinating safety programs,"[26] and believe that these items already are entirely covered in Account 6720.

B. Maintenance Expenses

43. The calculation of the maintenance expense component as currently prescribed under the pole attachment formula allows utility pole owners *at least* fair recovery of any maintenance costs associated with pole plant and in fact may be permitting the pole owners to recover far more than their actual plant investment.

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[26] 47 C.F.R. § 32.6534.

1. Exclusion of Rents

44. The Commission has already concluded that rents should be excluded from the administrative component of the carrying charge. This conclusion is proper because inclusion of this part of the account 6411 (and 6441 for conduits) matrix would result in cable operators' and other attaching parties' paying a portion of the pole (and conduit) rents that the telephone utility pays to electric utilities for attachment to electric support structures. This would result in a double charge; cable would pay the telephone and electric companies for its *own* pole attachments, but also a portion of the telephone company fees for use of utility poles.

2. Account 590 For Electric Poles Should Be Excluded From Maintenance

45. Account 593 (Maintenance of Overhead Lines) includes the costs of "labor, materials used and expenses incurred in the maintenance of overhead distribution line facilities, the book cost of which is included in account 364 Poles, Towers and Fixtures, account 365 Overhead Conductors and Devices, and account 369, Services"[27] and covers the maintenance costs directly attributable to the assets used for pole attachments. In this regard, Account 593 contains the lion's share of pole-line maintenance costs for which cable operators and other attaching parties should reasonably assume responsibility in the pole rent.

46. Account 590, however, which the electric utilities seek to add into the pole attachment rate, is designed to cover maintenance costs that have no little or no nexus to the pole network and attachment of communications facilities to such poles.

47. Maintenance expenses associated with poles, conductors and services (drops) are already accounted for in Account 593. The general engineering booked to Account

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[27] 18 C.F.R. Pt. 101 Acct. 593.

590 (Maintenance Supervision and Engineering) includes the cost of "labor and expenses incurred in the general supervision and direction of maintenance of the *distribution system*. . . . "[28] The distribution system includes storage battery equipment;[29] electric meters and similar equipment; [30] and street lighting and traffic signals.[31] It is inappropriate to include maintenance expenses associated with the maintenance of this plant.

48. If for any reason the Commission were to include Account 590 in the pole formula, it would then need to ensure that the account was spread across the entirety of the utility's distribution investment, as opposed to just pole plant investment as the utilities advocate, because the entirety of the electric utility's distribution network benefits from these charges. For example, Georgia Power reports $35,976,464.00 in maintenance expenses in Account 593 for the year end 1996. For the same period, Georgia Power reported $14,853,111 in Account 590. If 590 were added to maintenance in the manner that the utilities propose, the maintenance carrying charge component would increase by over 41%. However, Account 590 would need to be apportioned in some manner, probably by time (ideally). If Account 590 were spread across the entire distribution plant by asset value, the maintenance factor would increase by about $5 million, or 14.7%.[32]

IV. Conclusion

49. As set forth in greater detail in the foregoing Comments of the National Cable Television Association *et al.*, I believe that to the extent that the Commission determines

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[28] *Id.*, Acct. 590 (emphasis supplied).

[29] *Id.*, Acct. 363.

[30] *Id.*, Acct. 370 and 371.

[31] *Id.*, Acct. 373.

[32] *See* Comments Ex. 15.

that adjustments to the current formula are warranted, such adjustments should be closely evaluated against the backdrop of facilities-based competition that the formula in its current formula has facilitated. The Commission must view with particular scrutiny utility claims that economic and accounting precision require the addition of new expense accounts and subaccounts that have been previously excluded from the pole attachment formula, as well as utility claims of a need to adjust the way the pole plant depreciation reserve is calculated for the purposes of the pole rate formula.

I declare under the penalty of perjury of the laws of the United States that the information contained in this Declaration is true and correct.

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of Amendment of Rules and Policies Governing Pole Attachments	CS Docket No. 97-98

DECLARATION OF PATRICIA D. KRAVTIN

I, Patricia D. Kravtin, do hereby state under the penalty of perjury of the laws of the United States of America that the attached Declaration is true and correct.

Patricia D. Kravtin

Patricia D. Kravtin

Date: 6/27/97

Attachment 1

Statement of Qualifications

PATRICIA D. KRAVTIN

Patricia D. Kravtin is Vice President and Senior Economist at ETI. Ms. Kravtin did graduate study in the Ph.D. program in Economics at the Massachusetts Institute of Technology, where she was a National Science Foundation Fellow. Her fields of study have included Industrial Organization, Government Regulation of Industry, and Urban and Regional Economics. While at M.I.T., Ms. Kravtin performed research for the Sloan School of Management and the Joint Center for Urban Studies of M.I.T. and Harvard. Her own empirical work has centered on multiproduct industries and has included econometric estimation of multiproduct cost functions and measurement of product-specific economies of scale and economies of joint production.

While in Washington, D.C., Ms. Kravtin gained valuable insight into the regulatory process performing research and policy analysis at the United States Department of Commerce, the Securities and Exchange Commission, and the Private Radio Bureau of the Federal Communications Commission.

Since joining ETI in 1982, Ms. Kravtin has been actively involved in telecommunications regulatory proceedings in state jurisdictions throughout the country and has frequently testified as an expert witness before regulatory commissions. Ms. Kravtin has testified before the Rhode Island Public Utilities Commission, the Maine Public Utilities Commission, the Florida Public Service Commission, the New York Public Service Commission, the Louisiana Public Service Commission, the Minnesota Public Utilities Commission, the Mississippi Public Service Commission, the Arizona Corporation Commission, the Kentucky Public Service Commission, the Delaware Public Service Commission, the Georgia Public Service Commission, the Tennessee Public Service Commission, the New Hampshire Public Utility Commission, the New Jersey Board of Regulatory Commissioners, the Arkansas Public Service Commission, the Kansas Corporation Commission, the California Public Utilities Commission, and the Puerto Rico Telecommunications Regulatory Board. Ms. Kravtin has also testified as an expert witness in anti-trust litigation before the United States District Court for the Eastern District of Tennessee at Greeneville.

Ms. Kravtin's assignments have involved the analysis of both rate design and revenue requirements issues. She has performed analyses of various cost methodologies used by telephone companies to determine costs and set rates, and econometric demand models used to develop estimates of repression and stimulation of demand as a result of price changes. She has conducted numerous analyses of the costs and benefits of local measured service.

Ms. Kravtin has also been involved in the analysis of issues relating to telephone company modernization expenditures and plant utilization. Ms. Kravtin has presented testimony on the subject of infrastructure/plant modernization before the Ohio General Assembly senate select Committee on telecommunications Infrastructure and Technology and the New Jersey Senate Transportation and Public Utility Committee.

More recently, Ms. Kravtin has gained extensive expertise in the area of video and multi-media information service markets. Ms. Kravtin has submitted numerous filings before the FCC concerning the economics of video dialtone investment and/or VDT tariffs proposed by New Jersey Bell, Pacific Bell, Ameritech, Southern New England Telephone, US West, GTE, Bell Atlantic, BellSouth, NYNEX, Puerto Rico Telephone Company and Carolina Telephone in over 25 Section 214 Application proceedings. Over the past year, Ms. Kravtin has actively participated in a number of proceedings relating to the implementation of local competition pursuant to federal and state legislation, covering such topics as universal service, cost of basic service, interconnection, unbundling of network elements, and tariff development for new entrants.

Ms. Kravtin has authored and co-authored numerous papers and reports pertaining to these issues. These include the following:

"The Economic Viability of Stentor's 'Beacon Initiative,' Exploring the extent of its financial dependency upon revenues from services in the Utility Segment," prepared for Unitel, submitted as evidence before the Canadian Radio-television and Telecommunications Commission, March 1995.

"A Public Good/Private Good Framework for Identifying Pots Objectives for the Public Switched Network" prepared for the National Regulatory Research Institute, October 1991;

"The U S Telecommunications Infrastructure and Economic Development," presented at the 18th Annual Telecommunications Policy Research Conference, Airlie, Virginia, October 1990;

"An Analysis of Outside Plant Provisioning and Utilization Practices of US West Communications in the State of Washington," prepared for the Washington Utilities and Transportation Commission, March 1990; and

"Telecommunications Modernization: Who Pays?," prepared for the National Regulatory Research Institute, September 1988.

Ms. Kravtin has also been actively involved in the analysis of issues relating specifically to industry structure, BOC market power and MFJ restrictions, regulatory reform, price caps regulation, access charge reform, and local and long-distance competition in the telecommunications industry at both the state and federal level and persuant to the 1996 Telecommunications Act. Ms. Kravtin has served as an expert witness in antitrust cases involving BOC monopolization. She has co-authored numerous papers and reports pertaining to these issues. These include the following:

"Reply to Incumbent LEC Claims to Special Revenue Recovery Mechanisms," submitted in the Matter of Access Charge Reform in CC Docket 96-262, February 14, 1997.

"Assessing Incumbent LEC Claims to Special Revenue Recovery Mechanisms: Revenue opportunities, market assessments, and further empitical analysis of the "Gap" between embedded and forward-looking costs," submitted in CC Docket 96-262, January 29, 1997.

"Analysis of Incumbent LEC Embedded Investment: An Empirical Perspective on the "Gap" between Historical Costs and Forward-looking TSLRIC," Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, submitted in FCC CC Docket 96-98, May 30, 1996.

"Reply to X-Factor Proposals for the FCC Long-Term LEC Price Cap Plan," prepared for the Ad Hoc Telecommunications User Committee, submitted in FCC CC Docket 94-1, March 1, 1996.

"Establishing the X-Factor for the FCC Long-Terms LEC Price Cap Plan," prepared for the Ad Hoc Telecommunications User Committee, submitted in FCC CC Docket 94-1, December, 1995.

"Fostering a Competitive Local Exchange Market in New Jersey: Blueprint for Development of a Fair Playing Field," prepared for the New Jersey Cable Television Association, January 1995.

"The Enduring Local Bottleneck: Monopoly Power and the Local Exchange Carriers," February 1994.

"A Note on Facilitating Local Exchange Competition," prepared for E.P.G., November 1991;

"Testing for Effective Competition in the Local Exchange," prepared for the E.P.G., October 1991;

"Report on the Status of Telecommunications Regulation, Legislation, and modernization in the states of Arkansas, Kansas, Missouri, Nebraska, Oklahoma and Texas," prepared for the Mid-America Cable-TV Association, December 13, 1990;

"Sustainability of Competition in Light of New Technologies," presented at the Twentieth Annual Williamsburg Conference of the Institute of Public Utilities, Williamsburg, Virginia, December 1988;

"Industry Structure and Competition in Telecommunications Markets: An Empirical Analysis," presented at the Seventh International Conference of the International Telecommunications Society at MIT, July 1988;

"Market Structure and Competition in the Michigan Telecommunications Industry," prepared for the Michigan Divestiture Research Fund Board, April 1988;

"Impact of Interstate Switched Access Charges on Information Service Providers - Analysis of Initial Comments," submitted in FCC CC Docket No. 87-215, October 26, 1987;

"An Economic Analysis of the Impact of Interstate Switched Access Charge Treatment on Information Service Providers," submitted in FCC CC Docket No. 87-215, September 24, 1987;

"Regulation and Technological Change: Assessment of the Nature and Extent of Competition From A Natural Industry Structure Perspective and Implications for Regulatory Policy Options," prepared for the State of New York in collaboration with the City of New York, February 1987;

"Long-Run Regulation of AT&T: A Key Element of a Competitive Telecommunications Policy," *Telematics*, August 1984;

"BOC Market Power and MFJ Restrictions: A Critical Analysis of the 'Competitive Market' Assumption," submitted to the Department of Justice, July 1986; and

"Economic and Policy Considerations Supporting Continued Regulation of AT&T," submitted in FCC CC Docket No. 83-1147, June 1984.

Ms. Kravtin attended George Washington University on an Honor Scholarship where she received a B.A. with Distinction in Economics. She was elected to Phi Beta Kappa and Omicron Delta Epsilon in recognition of high scholastic achievement in the field of Economics. Ms. Kravtin is a member of the American Economic Association.

DECLARATION OF JOHN PIETRI

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of Amendment of Rules and Policies Governing Pole Attachments	CS Docket No. 97-98

DECLARATION OF JOHN PIETRI

I. Introduction & Background

I, John Pietri, do hereby state:

1. I am Vice President of Engineering and Technology for Marcus Cable Operating Company ("Marcus"). Marcus and its affiliated companies and partnerships is one of the largest cable operators in the United States, operating in 18 states and serving approximately 1.2 million customers nationally. I have served in my present capacity at Marcus for 7 years. I have worked in the area of cable television engineering and construction for 21 years, and been directly or indirectly involved in cable television and communications engineering and construction in approximately 20 states where my responsibilities have involved the attachment of communications facilities to utility poles and underground conduit of dozens of different telephone and electric utilities.

2. This Declaration focuses principally on two issues raised in the Notice of Proposed Rulemaking in this proceeding ("Notice") and the electric utilities' pole attachments "White Paper" submitted to the Commission in August 1996. These issues are (1) pole attachment and permitting procedures, and cable operators' upfront payment of all up-front costs associated with the attachment of their facilities to utility poles; and (2) the inclusion of

grounding systems in the rate base component of the pole attachment rate formula.

II. Pole Attachment Permitting Procedures And Cable's Upfront Payment Of All Costs Associated With Attachment of Its Facilities

3. Pole attachment procedures that have developed between utility pole owners and cable operators over the years require that cable operators submit applications to the utilities prior to attaching any facilities to the poles. The application forms that cable operators are required to submit require the cable operator to provide drawings and other information concerning the facilities its proposes to attach to the poles and any makeready work that must be performed prior to attachment. To do this, the cable operator itself, or by retaining the services of engineering subcontractor, must conduct pre-attachment, pre-application, engineering.

4. In order for a cable operator to attach its facilities to a pole, various communications and electrical facilities attached to the pole may have to be adjusted prior to making the new attachment. If rearrangement of existing facilities alone cannot accommodate the new attachment, then the cable operator must pay for the pole to be replaced. In most cases, the utility pole owner performs this rearrangement and pole replacement work. Prior to doing so, however, the cable operator must pay the utility *in advance* for such work, the charges for which the utility sets unilaterally and which often include an "overhead" element or across-the-board markup of 10% of the charges. In some cases, this overhead element is even higher than 10%.

5. After the application is submitted, the utility pole owner conducts its own engineering review to confirm the accuracy of the applications and makeready projections made by the cable operator in its application. Cable operators are separately charged for the independent engineering and makeready work that the pole owner performs. When separate

engineering work is required for subsequent attachments, or modifications of existing attachments, the utilities require that the expenses associated with such work be borne by the party requiring it. Virtually identical procedures exist with respect to cable operator occupancy of conduit capacity.

6. Thus, whenever any engineering work associated with pole attachments must be performed, that work is billed on an incremental, per-event basis. Under current practice, cable operators pay engineering expenses for each new attachment or modification project ***at least*** twice: once in order to prepare their application, and, again for the utility pole-owner's required pre-attachment inspection. Utilities often attempt to collect an additional engineering charge for post-attachment inspection.

7. I believe that this point is important in the context of the current proceeding because I understand that the Commission has proposed in the *Notice* to include additional engineering charges in the pole rate formula. Because cable operators pay to the pole owner up front, and in advance, all engineering expenses associated with the attachment of their facilities, I do not believe that it is fair or even reasonable for the pole attachment formula to reflect *additional* engineering expenses in the annual pole attachment rental rate that the cable operator must pay to the utility over and above what it already is compelled to pay as a pre-condition to attachment.

III. Grounding Systems Should Be Excluded From The Pole Attachment Rate Formula

8. I also understand that the electric utilities are seeking to include the costs of their grounding systems in the pole attachment formula. For the reasons identified below, I do not believe that it is reasonable to include the costs of the utility grounding systems in the